

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES**

Property Tax Bureau Informational Guideline
Release No. 88-215 Overlay Reserve
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OVERLAY RESERVE

Section 2 of Chapter 712 of the Acts of 1987
(Amending G.L. Ch. 59, §. 25)

SUMMARY:

A recent change in the law governing the overlay reserve account (often referred to as overlay surplus) has removed the limitations on the use of money in the account. Instead of being restricted to extraordinary and unforeseen spending purposes, the funds may now be spent for any lawful purpose.

The new law now requires that any unappropriated balance in the account at the end of the fiscal year be closed out to surplus revenue (undesignated fund balance). Finally, the law requires boards of assessors to determine the amount of overlay which can be transferred to the reserve account within ten days after being requested to make such determination by the chief executive officer of the city or town.

GUIDELINES:

1. The chief executive officer for purposes of this statute is the board of selectmen in a town, the prudential committee or district commissioners of a district, and the mayor or city manager in a city.
2. The determination of how much of a given year's overlay account can be transferred to the reserve is still a matter of the assessors' discretion; all the chief executive officer can do is require the assessors to make that determination at a time of the chief executive's choosing.
3. Since the overlay reserve account is no longer subject to restrictions on its use, there is no point in carrying it forward from year to year on the balance sheet. The transfer is made to the account simply to insure that it will be available before the next certification of free cash..
4. If there is an unappropriated balance in the overlay reserve account at the end of the year, it is closed out to surplus revenue, and in the normal course of events will increase the municipality's free cash balance. Appropriations made from this account shall be treated in the same manner as appropriations from free cash.

The Division of Local Services is responsible for oversight of and assistance to cities and towns in achieving equitable property taxation and efficient fiscal management.

The Division regularly publishes IGRs (informational Guideline Releases detailing legal and administrative procedures) and the BULLETIN (announcements and useful information) for local officials and others interested in municipal finance.

P.O. Box 9655, Boston, MA 02114-9655 (617) 626-2300
